



COURT FILE NUMBER 1001-11456

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF(S) ALBERTA TREASURY BRANCHES

DEFENDANT(S) CHOCOLATERIE BERNARD CALLEBAUT PARTNERSHIP,
BY ITS MANAGING PARTNER, CHOCOLATERIE
BERNARD CALLEBAUT LTD., 1013988 ALBERTA LTD.,
CHOCOLATERIE BERNARD CALLEBAUT LTD., 1054796
ALBERTA LTD., BERNARD CALLEBAUT AND
FRANCESCA CALLEBAUT

DOCUMENT SECOND SUPPLEMENT TO THE THIRD REPORT OF THE
COURT- APPOINTED RECEIVER AND MANAGER OF
CHOCOLATERIE BERNARD CALLEBAUT PARTNERSHIP,
BY ITS MANAGING PARTNER, CHOCOLATERIE BERNARD
CALLEBAUT LTD., 1013988 ALBERTA LTD.,
CHOCOLATERIE BERNARD CALLEBAUT LTD. AND
1054796 ALBERTA LTD.

DATED FEBRUARY 22, 2011

PREPARED BY DELOITTE & TOUCHE INC.

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TABLE OF CONTENTS

1. INTRODUCTION AND BACKGROUND	1
Background	1
2. THE USED ASSETS	2
3. THE OTHER ASSETS.....	3
4. RECOMMENDATIONS AND CONCLUSION	4

APPENDICES

Appendix 1 – Correspondence from Burnet Duckworth & Palmer LLP, dated February 18, 2011

INTRODUCTION AND BACKGROUND

1. Pursuant to a Consent Order of the Court of Queen's Bench of Alberta (the "Court") granted on August 3, 2010 (the "Receivership Order"), Deloitte & Touche Inc. ("Deloitte") was appointed as receiver and manager (the "Receiver") of Chocolaterie Bernard Callebaut Partnership ("Callebaut Partnership"), 1013988 Alberta Ltd., Chocolaterie Bernard Callebaut Ltd. ("CBCL") and 1054796 Alberta Ltd. ("105") (collectively "Callebaut" or the "Company"). Subsequently, on August 18, 2010, the Callebaut Partnership, CBCL and 105 made assignments in bankruptcy and Deloitte was appointed as trustee of the estates of the bankrupts.
2. Capitalized terms, not otherwise defined in this report, are as defined in the third report of the Receiver filed on February 3, 2011 (the "Third Report") and the supplement to the third report of the Receiver filed on February 18, 2011 (the "Supplement").

Background

3. The contents of the first and second reports of the Receiver, the contents of the confidential supplements to the Receiver's first and second reports and the contents of the Third Report are detailed in the Supplement.
4. The Supplement was filed on February 18, 2011 in order to provide the Court with information on the events that transpired subsequent to the Receiver's application declaring Bernard and Francesca Callebaut ("B&F Callebaut") in contempt of the Receivership Order and directing them to purge their contempt by delivering up any property of Callebaut that was removed prior to or after the date of receivership (the "Contempt Application"), which was adjourned from February 10, 2011 to February 23, 2011.
5. The Supplement provided details on the Receiver's attendance at the three locations identified in the affidavit of Veronica Amaya, sworn on January 31, 2011 (the "Amaya Affidavit"), as possibly containing assets removed from Callebaut prior to or after the date of the Receivership Order, as well as a fourth location identified on February 11, 2011 by B&F Callebaut as containing assets belonging to Callebaut (the "Asset Review"). The four locations included in the Asset Review are Papa Chocolat, the 79 Avenue Storage, the Art Central Storage and the 13 Avenue Storage (all as defined in the Supplement).
6. The Asset Review resulted in the Receiver taking possession of various assets belonging to Callebaut, which included approximately 191 diamond shaped molds and 219 bar shaped molds, three Mac computers, two Apple iPADS, a printer and assorted computer supplies, assorted wall hangings, various packaging, paper and ribbon and various records of Callebaut (the "Asset Review Assets").

7. In addition to the Asset Review Assets, on January 14, 2011, the Receiver attended the 79 Avenue Storage and took possession of 213 boxes of chocolate purchased from the supplier ICAM S.p.A ("ICAM"), 12 boxes of ribbon and 8 boxes of Cell Pad 5 ply soft packaging (the "January 14 Assets"). The Asset Review Assets and the January 14 Assets will collectively be referred to as the Removed Assets.
8. Based on the results of the Asset Review, the Receiver will be requesting that the Court grant the following Order at the February 23 Application:
 - a. Declaring B&F Callebaut in contempt of the Receivership Order;
 - b. Approving the Receiver's intended plan of action with respect to the Removed Assets, as outlined in the Supplement;
 - c. Directing that B&F Callebaut pay over to the Receivership estate an amount equal to the value of any property of Callebaut which they removed and then used in contravention of the Receivership Order (the "Used Assets") as determined by an accounting, which would be based on the resale value of the Finished Product (as defined below), produced with the Used Assets, less the estimated cost of the other ingredients contained therein and any other agreed upon direct costs;
 - d. Directing that B&F Callebaut purge their contempt by delivering up any additional property of Callebaut that was removed prior to or after the date of Receivership; and
 - e. Ordering B&F Callebaut to pay costs with respect to the Contempt Application.

THE USED ASSETS

9. Pursuant to the agreed upon terms of the Asset Review, B&F Callebaut were asked to provide an accounting of the Used Assets. Late on the morning of February 18, 2011, the Receiver's legal counsel received a letter from B&F Callebaut's legal counsel, Burnet Duckworth & Palmer LLP (the "Accounting Letter"), which contained an accounting of the Used Assets (the "B&F Accounting"). The B&F Accounting estimated the value of the Used Assets as follows:
 - a. 66 kilograms of white chocolate, 132 kilograms of milk chocolate and 202 kilograms of semi sweet chocolate, which were valued at \$8.50 per landed kilogram for a total cost of \$3,400; and
 - b. 140 diamond shaped molds, in use by B&F Callebaut in the operation of Papa Chocolat, which were assigned a replacement value of \$13.50 per mould for a total cost of \$1,890.
10. The Receiver notes as follows with respect to the B&F Accounting:
 - a. The Amaya Affidavit identified 213 boxes of ICAM chocolate as being stored at the 79 Avenue Storage. On January 14, 2011, the Receiver took possession of 213 boxes of

ICAM chocolate stored at the 79 Avenue Storage. We note that there is a discrepancy in the number of boxes of each type of chocolate inventoried by the Receiver on January 14, 2011 as compared with the number of boxes of each type of chocolate listed in the Amaya Affidavit; however, the overall quantity of boxes is the same. The discrepancy in the quantities listed for each type of chocolate is likely due to the fact that boxes of different types of chocolate were stored on the same pallet, which may have made it difficult to complete an accurate inventory count without dismantling each pallet.

- b. The Amaya Affidavit further identified the 14 empty boxes, which would likely have held a total of 168 kilograms of chocolate as having been retrieved from a recycle bin outside of Papa Chocolat by Mr. Brian Beck.
- c. The Receiver does not have sufficient information to either confirm or refute whether or not the 400 kilograms of chocolate identified as being used in the B&F Accounting (the "Used Chocolate") is accurate. Based on a review of invoices from ICAM, the cost per landed kilogram as estimates in the Accounting Letter appears reasonable.
- d. As noted above, the Receiver took possession of a total of 191 diamond shaped molds. Approximately 148 of the diamond shaped molds were removed from Papa Chocolat (the "PC Diamond Molds") where they were in use in current production. An additional 43 diamond shaped molds were removed from the 79 Avenue Storage (the "79 Avenue Diamond Molds. We note that 216 bar shaped molds (the "Bar Molds") were also taken into the Receiver's possession as part of the Asset Review. We cannot conclusively say whether the Bar Molds or the 79 Avenue Diamond Molds were being used in production by Papa Chocolat. We note that the Bar Molds were identified in the Amaya Feb 22 Affidavit (as defined below) as comprising both solid bar molds and nut-cavity shaped bar molds. The Receiver has not yet verified whether there are two separate types of Bar Molds.
- e. Both the Used Chocolate and the PC Diamond Molds were being used in Papa Chocolat's operations to produce chocolate confectionaries (the "Finished Product") for resale to Papa Chocolat customers. As such, it is the Receiver's position that including only the cost of the Used Assets does not accurately account for their value and that an accounting based on the resale value of the Finished Product, produced with the Used Assets, less the estimated cost of other ingredients contained therein and any other agreed upon direct costs may more accurately reflect the value of the Used Assets.

THE OTHER ASSETS

11. Late in the morning of February 22, 2011, the Receiver received a copy of the Affidavit of Veronica Amaya sworn on February 22, 2011 (the "Amaya Feb 22 Affidavit"). The Amaya Feb 22

Affidavit indicates that two statues, formerly displayed on the desk of Francesca Callebaut, which were originally purchased by Callebaut for \$13,375 are missing as are one Mac computer and one iPad. Based on the Amaya Feb 22 Affidavit, it appears that there may still be additional assets of Callebaut, which have not been accounted for.

RECOMMENDATIONS AND CONCLUSION

12. As outlined above, the Receiver is requesting that the Court grant the following Order on February 23, 2011:
 - a. Declaring B&F Callebaut in contempt of the Receivership Order;
 - b. Approving the Receiver's intended plan of action with respect to the Removed Assets, as outlined in the Supplement;
 - c. Directing that B&F Callebaut pay over to the Receivership estate an amount equal to the value of the Used Assets as determined by an accounting, which would be based on the resale value of the Finished Product, produced with the Used Assets, less the estimated cost of the other ingredients contained therein and any other agreed upon direct costs;
 - d. Directing that B&F Callebaut purge their contempt by delivering up any additional property of Callebaut that was removed prior to or after the date of Receivership; and
 - e. Ordering B&F Callebaut to pay costs with respect to the Contempt Application.

DELOITTE & TOUCHE INC.,
in its capacity as Receiver and Manager of Chocolaterie
Bernard Callebaut Partnership, by its Managing Partner,
Chocolaterie Bernard Callebaut Ltd., 1013988 Alberta
Ltd., Chocolaterie Bernard Callebaut Ltd. and 1054796
Alberta Ltd. and not in its personal capacity.



Victor P. Kroeger CA•CIRP, CFE
Senior Vice President

APPENDIX 1

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February 18, 2011

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Callebaut Receivership

As discussed, Mr. Callebaut has delivered to the Receiver two desktop Apple computers, one iPad, and one Apple laptop.

Mr. Callebaut estimates that he used 400 kg of chocolate broken down as follows: 66kg white, 132kg milk, and 202kg semi-sweet. The estimated landed cost of the chocolate is \$8.50/kg for a total value of \$3,400.00. Mr. Callebaut is prepared to pay that amount to the Receiver immediately.

Mr. Callebaut used approximately 140 diamond shaped moulds that were owned by Chocolaterie Bernard Callebaut. The cost to purchase new moulds would be approximately \$13.50/mould, for a total of \$1,890.00. The moulds had never been used by Chocolaterie Bernard Callebaut Ltd. other than for one specific trade show.

BURNET, DUCKWORTH & PALMER LLP



Grant Vogeli

LGV/clc
c: B. and F. Callebaut (via e-mail)

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